



Understanding the Agency Cost Estimate and COMPARE

OMB Circular A-76

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Grant Thornton 



Introduction

- Judith P. Kuhn
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 - ✓ MEO Review Team
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Objectives

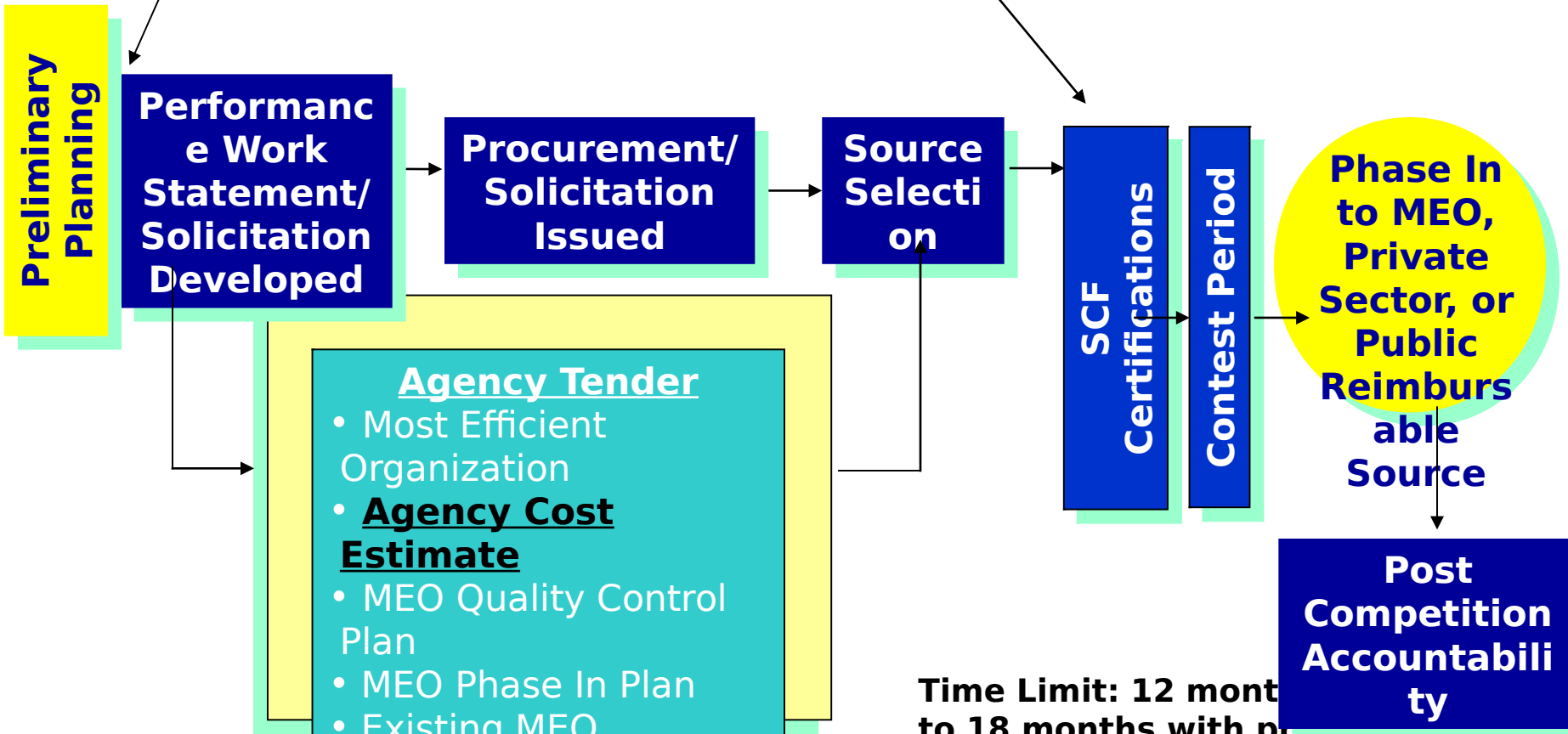
- This presentation is designed to:
 - ✓ Introduce the basic principles of Agency Cost Estimate (ACE) development
 - ✓ Identify the data necessary to complete a cost estimate
 - ✓ Provide a demonstration of the COMPARE software



A-76 Standard Competition Process

Announcement
Start Date

Performance Decision
End Date





Agency Tender and Agency Cost Estimate (ACE)

- Agency Tender is the agency's response to the requirements of a solicitation and includes:
 - ✓ MEO
 - ✓ Agency Cost Estimate
 - ✓ Quality Control Plan
 - ✓ Phase-In Plan
 - ✓ Copies of any existing MEO subcontracts
 - ✓ Technical Performance Plan (if required)
- Agency Cost Estimate includes:
 - ✓ The agency's cost proposal



Agency Cost Estimate

- The MEO is based on the requirements of the solicitation
- The ACE represents the cost of resources needed for the MEO by performance period
- Costs are collected throughout the MEO development
- Costs entered into COMPARE should be the final step
- Cost data is captured on Standard Competition Form



Determining What Data is Needed

- All costs required by the solicitation must be captured in the ACE
 - ✓ Cost data is collected during the MEO phase
 - ✓ Collect and capture only MEO specific costs
 - ✓ Know what is Government Furnished and what is not Government Furnished
 - ✓ Data collected should be from the most recent fiscal year or developing a 2-3 year historical average



Determining What Data is Needed (continued)

- Historical data comes from many different resources (budgets, financial status reports, receipts, emails)
- The MEO Team will
 - ✓ “Scrub” historical data to remove all costs not related to the requirements of the solicitation.
 - ✓ Perform additional research on costs and benchmark
 - ✓ Make supporting documentation available including
 - Effective date of information
 - Sources of information



Understanding Performance Periods

- The performance period is the length of time identified for a given competition
- Usually equates to one year (with the exception of the phase-in period)
- Typically, Standard Competitions are made up of five performance periods
- The solicitation designates the required periods of performance



Understanding Performance Periods (continued)

- COMPARE allows you to designate the first performance period as the phase-in period
- If there is a phase-in period, then the first FULL year of performance would be the second performance period in COMPARE
- Costs for phase-in are sometimes difficult to obtain. If no historical data is available, conduct research and perform benchmarking efforts to capture accurate costs



Agency Costs

- Cost data captured on the Standard Competition Form
 - ✓ Line 1 - Personnel
 - ✓ Line 2 - Materials & Supplies
 - ✓ Line 3 - Other Attributable Costs
 - ✓ Line 4 - Overhead
 - ✓ Line 5 - Additional Cost
 - ✓ Line 6 - Total Agency Cost



Public Sector/Private Reimbursable Costs

- Cost data captured on the Standard Competition Form
 - ✓ Line 7 - Public Sector/Private Reimbursable Price
 - ✓ Line 8 - Contract Administration Costs
 - ✓ Line 9 - Additional Costs
 - ✓ Line 10 - One-Time Conversion Costs
 - ✓ Line 11 - Gain on Assets
 - ✓ Line 12 - Federal Income Taxes
 - ✓ Line 13 - Total Contract Cost



Performance Decision

- Lines 14-18 are automatic calculations by COMPARE
 - ✓ Line 14 - Conversion Differential
 - ✓ Line 15 - Adjusted Total Cost of Agency Performance
 - ✓ Line 16 - Adjusted Total Cost of Private Sector/Public Reimbursable Performance
 - ✓ Line 17 & 18 - DECISION



Line 1 – Personnel Costs

- Costs for all direct in-house labor and supervision, including:
 - ✓ Salaries/ wages
 - ✓ Other entitlements
 - ✓ Fringe benefits
 - ✓ Other pay
 - ✓ Overseas allowances
 - ✓ Economic price adjustment
 - ✓ Position type
 - ✓ Contract administration



Line 1 – Full Time Equivalents

- The MEO Team will determine the number of productive hours to complete solicitation requirements
- Then, productive hours are converted to FTEs
- Finally, the appropriate staffing is determined and certified by the HRA
- FTE equals one work-year for a given position
- FTEs should be carried out to at least three decimal places



Line 1 – Full Time Equivalents

- Productive hours
 - ✓ Full-time, part-time, temporary, and seasonal
 - 1,776 hours
 - ✓ Intermittent positions
 - 2,007 hours
 - ✓ Contractors
 - Approximately 1,920 hours



Line 1 – Personnel Costs: Salaries

- Salaries and Basic Pay:
 - ✓ Basic Pay = annual salary + any applicable "other pay" or "other entitlements"
 - ✓ Annual salary is determined from OPM local pay tables
 - Step 5 for GS positions
 - Step 4 for FWS positions
 - ✓ Review GS and FWS Pay Tables



Line 1 – Personnel Costs: Other Entitlements

- Includes
 - ✓ Night differential pay (FWS positions)
 - ✓ Environmental differential pay
 - ✓ Premium pay (law enforcement, firefighters)
- HRA identifies these entitlements and obtains the current cost factors
- Agencies determine and manually input the cost data for this entry



Line 1 – Personnel Costs: Fringe Benefits

- Fringe Benefit Standard Cost Factors:
 - ✓ Full Time/Part Time Positions 32.85%
 - Retirement Benefit Factor: 24%
 - Insurance and Health Benefit Factor: 5.7%
 - Medicare Benefit Factor: 1.45%
 - Miscellaneous Fringe Benefit Factor 1.7% (workmen's comp, bonuses, awards, and unemployment programs)



Line 1 – Personnel Costs: Fringe Benefits

- Temporary and Intermittent Positions: 7.65%
 - ✓ Old Age and Survivors Death Insurance Benefits + Medicare

- Seasonal Positions
 - ✓ Full time/Part time 32.85%
 - ✓ Temporary/Intermittent 7.65%
 - ✓ Agency makes determination by position



Line 1 – Personnel Costs: Other Pay

- Includes pay subject only to Medicare Benefit (7.65%)
 - ✓ Premium pay
 - ✓ Night differential (GS positions)
 - ✓ Sunday pay for GS positions
 - ✓ Overtime pay
 - ✓ Hazard pay
 - ✓ Holiday pay
 - ✓ Category 1 civilian awards, bonuses, and uniform allowances
- HRA determines which positions in MEO receive “Other Pay”



Line 1 – Personnel Costs: Overseas Allowance

- Applied when an employee works in the following locations: Alaska, Hawaii, Guam, Puerto Rico, the US Virgin Islands, and the Commonwealth of the Northern Mariana Islands.
- Agencies determine and manually input the cost data for this entry



Line 1 – Personnel Costs: Economic Price Adjustment (EPA)

- AKA labor escalation
- Positions that perform work covered by Service Contract Act (SCA), Davis Bacon Act (DBA), and FAR Part 22 are subject to EPA
 - ✓ In COMPARE, positions marked “**Y**” are subject to EPA and are inflated through the first performance period only
 - ✓ In COMPARE, Positions marked “**N**” in COMPARE are not subject to EPA and are inflated through all performance periods
- Contracting office or HRO can be consulted in making these determinations



Line 1 – Personnel Costs: Administration and Surveillance for MEO Subcontracts

- Includes the labor necessary for the administration of any MEO subcontracts
- Agencies determine and manually input the cost data for this entry



Line 1 – Personnel Costs: Contract Administration

- Contract administration and inspection costs for an MEO Letter Of Obligation
 - ✓ Include labor costs for both administration and inspection of the MEO
 - ✓ This cost is also included in a public reimbursable cost estimate on Line 8 of the Standard Competition Form (Contract Administration)



Line 2 – Material and Supply Costs

- Includes costs for raw materials, parts, subassemblies, components, fuel, and office supplies
- Included only if the materials and supplies are required for the agency tender and not provided as GFP
- Agencies must provide sufficient written documentation for the CO to perform price analysis and cost realism – stated in Section B or L
- Agencies determine and manually input the cost data for this entry



Line 2 – Material and Supply Costs: Inflation Factors

OMB Transmittal Memos provide annual updates on inflation cost factors, including pay increases

	Complete Name	Factor	Effective	Year	Source	Changed
	Fuels Inflation Factor	-0.124	10/1/1994	1994	TM 13	
	Fuels Inflation Factor	0.056	10/1/1995	1995	FY98 GRN BK	
	Fuels Inflation Factor	0.013	10/1/1996	1996	FY99 GRN BK	
	Fuels Inflation Factor	0.197	10/1/1997	1997	FY00 GRN BK	
	Fuels Inflation Factor	-0.088	10/1/1998	1998	FY01 GRN BK	
	Labor Inflation Factor	0.031		1999	TM 18	
	Labor Inflation Factor	0.048		2000	TM 23	
	Labor Inflation Factor	0.037		2001	TM 24	
	Labor Inflation Factor	0.046		2002	TM 24	
	Labor Inflation Factor	0.026		2003	TM 24	
	Labor Inflation Factor	0.034		2004	TM 24	
	Labor Inflation Factor	0.034		2005	TM 24	



Line 3 – Other Specifically Attributable Costs

- Costs not included in Line 1 or Line 2 but necessary to perform the solicitation requirements
- Includes:
 - ✓ Depreciation
 - ✓ Facilities
 - ✓ Cost of Capital
 - ✓ Rent
 - ✓ Utilities
 - ✓ Insurance
 - ✓ Travel
 - ✓ MEO Subcontractors
 - ✓ Maintenance and Repair
 - ✓ Other Costs



Line 4 – Overhead Costs

- Operations Overhead
 - ✓ Costs that are not 100% attributable to the activity, but are associated with recurring management or support of activity
- General and Administrative Overhead
 - ✓ Salaries, equipment, space and other activities related to HQ management, accounting, personnel, legal support, HR, data processing management, and similar common services performed outside the activity, but in support of the activity



Line 4 – Overhead Costs

- Standard cost factor
- 12% of Line 1 personnel costs (including fringe benefits)
- Automatically calculated by COMPARE



Line 5 – Additional Costs

- Additional Costs are costs not found in Lines 1 – 4
- Costs result from unusual or special circumstances
- Agencies include documentation to explain calculation of additional costs
- Costs are manually entered in COMPARE



Line 5 – Additional Costs

- Additional cost examples include:
 - ✓ Expansions of existing activities, new requirements, or conversions from private sector to agency performance
 - ✓ Medical/physical exams
 - ✓ Costs related to process improvements and other efficiencies proposed by the MEO



Line 6 - Total Agency Cost

➤ Automatic calculation by COMPARE

Line 1 - Personnel

+ Line 2 - Materials & Supplies

+ Line 3 - Other Attributable Costs

+ Line 4 - Overhead

+ Line 5 - Additional Cost

= Line 6 - Total Agency Cost



ACE Documentation

- Summary of Costs Narrative
 - ✓ Developed by the MEO Team
 - ✓ The written details of the ACE
 - ✓ Includes:
 - Methodologies of developing all costs, including assumptions and calculations
 - Summaries for Lines 1, 2, and 3 plus overall performance period summaries
 - All detailed and summary reports from COMPARE
 - All source documents and backup documentation used for developing costs
 - ✓ Used primarily by Source Selection as a means of verifying and validating all costs included in ACE



Line 7 – Contract Price or Public Reimbursable Cost Estimate

- Line 7 of Standard Competition Form
- CO enters the contractor's price based on source selection process requirements



Line 8 - Contract Administration Costs

- Includes labor and non-labor requirements for contract administration for the private sector or public reimbursable cost estimate
- COMPARE automatically computes this cost based on the size of the MEO



Line 9 - Additional Costs

- Includes any additional costs to the agency
- Examples include transportation or purchased services resulting from unusual or special circumstances
 - ✓ Non Profit Agency Fees: NISH – 4% fee paid to the Committee for Purchase from People who are Blind
 - ✓ Incentive Fees



Line 10 - One Time Conversion Costs

- Includes costs to convert to a private sector or public reimbursable source
 - ✓ Severance Costs – 4% of Line 1 (basic pay only) for the first full year of performance
 - RIF, VERA, VSIP
 - ✓ Other Costs – 1% of Line 1 (basic pay only) for the first full year of performance
 - Relocation and training
- COMPARE automatically calculates this cost



Line 11 - Gain on Assets

- Gain or sale or transfer of government assets at the net book value of the asset as of the start of the first performance period
- This gain on assets generates revenue for the government; therefore, this cost **reduces** the cost of private sector or public reimbursable performance



Line 12 - Federal Income Tax Adjustment

- Represents revenue generated by the government that **is subtracted** from the total cost of private sector performance
- CO selects and enters the appropriate industry code from the Tax Rate Table
- COMPARE automatically calculates this cost, which is subtracted from the estimate



Line 13 – Total Private Sector or Public Reimbursable Costs

➤ Automatic calculation by COMPARE

Line 7 - Public Sector/Private Reimbursable Price

+ Line 8 - Contract Administration Costs

+ Line 9 - Additional Costs

+ Line 10 - One-Time Conversion Costs

+ Line 11 - Gain on Assets

+ Line 12 - Federal Income Taxes

= Line 13 - Total Contract Cost



Line 14 - Conversion Differential

- Represents the "incentive to change" to a private sector or public reimbursable source
- This cost is the lesser of 10% of total personnel costs, or \$10 million dollars
- COMPARE automatically calculates this cost



Line 14 to 18 - Decision Calculations

- Line 14: Conversion Differential
- Line 15: **Adjusted** Cost of Agency Performance
- Line 16: **Adjusted** Cost of Private Sector or Public Reimbursable Performance
- Line 17: Cost Difference (Line 16 - Line 15)
- Line 18: Performance Decision



Understanding COMPARE

The screenshot shows a window titled "COMPARE" with a teal background. At the top left is the Department of Defense seal. The main text reads "COMPARE" in large yellow letters, followed by "OMB Circular A-76 Costing Model" in black. Below this, it says "Version 2.0 - July 1, 2003" and "Help Desk (<http://compare.mevatec.com>)". A "MAIN MENU" section contains several buttons: "Create Study", "Edit Study", "Delete Study", "Print /Update Master Tables", "Backup Study Files", and "Exit COMPARE". The Windows taskbar at the bottom shows the Start button, the COMPARE application icon, and the system tray with the time 12:22 AM.



What is COMPARE ?

- Windows-based software program that documents the Agency costs for performance
- All standard and streamlined competitions must use COMPARE to calculate the cost for performance



Where can you find the software?

- <http://compare.mevatec.com/>
- Also on the website...
 - ✓ User's Manual
 - ✓ Software Advisories
 - ✓ Software Updates
 - ✓ General A-76 News - transmittals
 - ✓ Version Change Summaries
 - ✓ Costing FAQs



Other Useful Links

- GS Salary Tables:

<http://www.opm.gov/oca/04tables/indexGS.asp>

- FWS Salary Tables:

<http://www.cpms.osd.mil/wage/>

- OMB Circulars and Transmittal Memos:

<http://www.whitehouse.gov/omb/circulars/index.html>



COMPARE Demonstration





Questions?

